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June 29, 1995

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Re: Notice of Proposed Rulemaking, CC Docket No. 95-72 (FCC 95-212)

Dear Mr. Caton:

Enclosed are an original and 9 copies of the Comments of Cincinnati Bell Telephone in the above referenced proceeding. Additional copies are also being provided to the Policy and Program Planning Division and International Transcription Services, Inc. as instructed in paragraph 39 of the above document. A duplicate original of these comments is also provided. Please date stamp this as acknowledgment of its receipt and return it. Questions regarding these Comments may be directed to Mr. James R. Lowell at the above address or by telephone on (513) 397-7260.

Sincerely,

A handwritten signature in cursive script, appearing to read "Peggy A. Peckham".

Peggy A. Peckham
Director - Legislative &
Regulatory Planning

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of)
)
End User Common Line) CC Docket No. 95-72
Charges)

COMMENTS OF
CINCINNATI BELL TELEPHONE COMPANY

Cincinnati Bell Telephone Company ("CBT") submits these comments in response to the Commission's May 30, 1995 Notice of Proposed Rulemaking (the "NPRM") in the above-captioned proceeding.

I. Introduction

The NPRM seeks comment on the application of End User Common Line Charges (hereinafter referred to as "Subscriber Line Charges" or "SLCs") to local loops used with Integrated Services Digital Network (ISDN) and other services that permit the provision of multiple voice-grade-equivalent channels to a customer over a single facility.¹ CBT fully supports the initiation of this proceeding. Indeed, on March 16, 1995 CBT filed an Emergency Petition for Waiver of Section 69.104 of the Rules seeking permission to continue its current practice of assessing one SLC charge on each local loop used to provide

¹ NPRM at para. 1.

ISDN Basic Rate Interface (BRI) services, and urging the Commission to initiate this rulemaking proceeding.

The introduction of ISDN and other derived channel technologies was not contemplated when the current access charge rules were adopted in 1983. If these new technologies are to survive and flourish, it is critical that the Commission reexamine its present rules as now applied to these derived channel services in the context of today's telecommunications environment.

II. Support Flows Should Be Limited

CBT submits that one of the underlying issues which must be dealt with in this proceeding is that of support flows. Non-traffic sensitive costs not currently recovered through the SLC are being artificially recovered through usage-based Carrier Common Line (CCL) charges to interexchange carriers (IXCs). As customers migrate to derived channel services, such as ISDN, which make it possible to replace existing services using multi-network terminations with a single loop, SLCs will recover proportionately less of the non-traffic sensitive cost. Under present Commission rules, this will lead to higher CCL rates. Higher CCL rates, in turn, will create a strong incentive for high volume users to bypass the LEC networks, resulting in an even greater threat to the existing access charge structure's ability to support universal service. Beyond this, as the Commission observes,² those access charge customers who do remain would have an incentive to increase their toll rates correspondingly to offset the higher CCL charges they would incur. As explained below in

² NPRM at para. 18.

more detail, CBT believes the correct long-term approach is to avoid raising CCL rates and instead recover a greater portion of the non-traffic sensitive costs from end users as the cost causers.

III. The NPRM Identifies Several Possible Options for Assessing Subscriber Line Charges on Derived Channel Services

As the Commission correctly points out, there are potentially several ways to compute the number of SLCs for ISDN and similar derived channel services.³ Among the options identified in the NPRM, CBT submits that the per-facility approach is the most appropriate.⁴ The per-facility approach recognizes that the costs incurred by LECs to provide ISDN and other derived channel services are not dependent on the number of channels provided and, thus, would allow LECs to price these services closer to their true economic cost. This ability is essential in a competitive marketplace. Moreover, as noted in the NPRM, the per-facility approach would also: (1) not discourage the use of derived channel technologies; (2) permit residential and business customers to take advantage of technologically advanced derived channel services at rates lower than those required under the current rules; and (3) facilitate improved access to the national information infrastructure.⁵

CBT acknowledges that the primary drawback of the per-facility approach is that it could result in lower SLC revenues, and correspondingly place upward pressure on other interstate rates. The Commission's concern in this regard is legitimate if LECs are provided

³ NPRM at para. 21.

⁴ NPRM at para. 24-26.

⁵ NPRM at para. 24.

no other option than to recover the shortfall by increasing their CCL rates. However, CBT submits that any reduction in SLC revenues can be avoided through the implementation of a modest increase in the SLC.⁶ The Commission notes that the present \$3.50 level of the residence and single line business SLC cap was implemented in April, 1989.⁷ A modest increase in this cap to \$3.75 would represent just over a 1% annual increase since 1989 and, when coupled with adoption of the per-facility approach, would offer the following advantages:

1. CCL charges would be likely to decrease in most instances;
2. The residence and single line business cap would move closer to the multiline business cap and the underlying cost of each; and
3. A 25 cent monthly increase would have a minimal impact on charges to affected subscribers.

For these reasons, CBT recommends that the residence and single line business cap be increased to \$3.75 as an interim measure until such time as the Commission undertakes comprehensive reform of its access charge rules.

In the alternative, the Commission could permit, but not require, LECs to apply fewer SLCs to derived channel services and, at the same time, modify its rules to prevent any resulting reduction in SLC revenue from serving as a basis to increase CCL rates.⁸ Either of these approaches would alleviate the Commission's concerns about the impact on interstate toll rates.

⁶ Indeed, the Commission acknowledges the possibility of such an approach at para. 34 of the NPRM.

⁷ NPRM at para. 7.

⁸ NPRM at para. 34.

The "Intermediate Options" identified in the NPRM fall short of dealing directly with the issue of support flows. They merely offer an arbitrary means by which partial SLCs might be applied to derived channels.⁹ These interim measures seek to preserve universal support funds in the short term by creating additional support flows, rather than making progress towards removing them. Such options are not sustainable in today's competitive telecommunications environment.

IV. Non-Traffic Sensitive Costs Are Not Channel Dependent

As CBT pointed out in its Emergency Petition for Waiver, the assessment of one SLC on each local loop is consistent with the non-traffic sensitive costs incurred. Since the costs incurred by LECs to provide ISDN and other derived channel services are not dependent upon the number of channels provided, the rates charged to recover those costs should not be dependent upon the number of channels provided. To assess a SLC, or a portion thereof, on a per channel basis would be arbitrary and inconsistent with the goal of reducing support flows. A per channel assessment would discriminate against customers who subscribe to derived channel services, forcing them to pay a greater portion of non-traffic sensitive costs than they truly incur. Such an uneconomic imposition of cost burdens would serve to discourage new customers from subscribing to derived channel services, and would likely encourage existing customers of those services to seek less costly alternatives.

⁹ NPRM at para. 27-30.

V. **Any Rules Adopted in this Proceeding Should Apply Equally to All Derived Channel Services**

CBT submits that any rules adopted in this proceeding must apply equally to all derived channel services regardless of the technologies used. CBT currently offers three derived channel services, one of which employs a technology other than ISDN. In addition to ISDN-BRI, CBT offers an ISDN Primary Rate Interface service called "PRIME AdvantageSM". PRIME AdvantageSM consists of one primary rate facility (up to 23 B-channel bearer trunks) and a D-channel bearer facility which performs signaling functions. CBT's non-ISDN based service is called "Trunk AdvantageSM". Trunk AdvantageSM provides a 1.544 megabit digital trunk facility and up to twenty-four 64 kilobit digital trunk channels. PRIME AdvantageSM and Trunk AdvantageSM are currently offered in a rate relationship that reflects their market value and level of technical sophistication. CBT currently assesses SLCs similarly for both of these services. A failure to apply the rules to all derived channel services would make it difficult for CBT to maintain these important rate relationships between PRIME AdvantageSM and Trunk AdvantageSM, which could send incorrect pricing signals causing unnecessary service churn, customer confusion and uneconomic customer purchase decisions.¹⁰

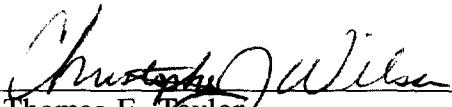
¹⁰ For the same reasons, CBT submits that the non-enforcement policy announced by the Common Carrier Bureau on May 30, 1995 should extend to non-ISDN based derived channel services. See, Public Notice (DA 95-1168), released May 30, 1995.

VI. Conclusion

CBT supports the Commission's initiative to address the application of SLCs to ISDN and other derived channel services. CBT believes there is no cost-based reason for applying differing SLCs to local loops based upon the number of channels being provided over the facility in question. To assess different charges for the same facilities would discriminate against customers using derived channel services, and discourage future use and development of services which increase the capabilities of the local loop. Accordingly, CBT urges the Commission to adopt a per-facility approach for all derived channel services which results in a single SLC charge per local loop, regardless of the number of channels provided.

Respectfully submitted,

FROST & JACOBS

By 
Thomas E. Taylor
Christopher J. Wilson

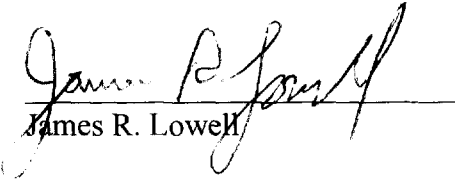
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Attorneys for Cincinnati Bell
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Dated: June 29, 1995

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Comments of Cincinnati Bell Telephone Company have been hand delivered on June 29, 1995 to the persons listed below.


James R. Lowell

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